

MARION COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2005

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MARION COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2005)		
Robert DeJoode	Board of Supervisors	Jan. 2005
William Shepherd	Board of Supervisors	Jan. 2005
Howard Pothoven	Board of Supervisors	Jan. 2007
Jake Grandia	County Auditor	Jan. 2005
Denise Emal	County Treasurer	Jan. 2007
Karen Schwanebeck	County Recorder	Jan. 2007
Gary Verwers	County Sheriff	Jan. 2005
Terry Rachels	County Attorney	Jan. 2007
Michael May	County Assessor	Jan. 2010
(After January 2005)		
Howard Pothoven	Board of Supervisors	Jan. 2007
Sam Nichols	Board of Supervisors	Jan. 2009
Dwight Mater Jr.	Board of Supervisors	Jan. 2009
Jake Grandia	County Auditor	Jan. 2009
Denis Emal	County Treasurer	Jan. 2007
Karen Schwanebeck	County Recorder	Jan. 2007
Gary Verwers	County Sheriff	Jan. 2009
Terry Rachels	County Attorney	Jan. 2007
Michael May	County Assessor	Jan. 2010

INDEPENDENT AUDITOR'S REPORT

To the Officials of Marion County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents. These basic financial statements are the responsibility of Marion County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Marion County at June 30, 2005 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 3, 2006 on our consideration of Marion County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 15 and 56 through 58 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Marion County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 12, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
February 3, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Marion County, Iowa provides this Management's Discussion and Analysis of Marion County's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

FINANCIAL HIGHLIGHTS

County governmental funds revenue increased 5% or \$844,280 from 2004 to 2005. Property and other county taxes increased approximately \$1,308,000.

County governmental funds program expenses decreased 6%, or approximately \$1,100,000 less in 2005 than 2004. Capital project expenditures decreased approximately \$1,008,000.

The County's net assets increased 14.12% or \$3,152,942 at June 30, 2005.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the government's financial activities.

The Government-wide Financial Statements consists of a statement of net assets and a statement of activities. These provide information about the activities of Marion County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Marion County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Marion County acts solely as an agent or custodian for the benefit of those outside of the government.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the County's budget for the year.

Supplementary Information provides detailed information about the nonmajor special revenue and the individual fiduciary funds.

REPORTING THE COUNTY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The statement of net assets and the statement of activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The statement of net assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are displayed in the statement of net assets and the statement of activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration or general government, interest on long-term debt and other non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

1. Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Mental Health, Rural Service, and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted cash. The governmental fund statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The governmental funds required financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2. Proprietary funds account for the County's employee group health insurance, internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The proprietary funds required financial statements include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets and a statement of cash flows.

3. Fiduciary funds are used to report assets held in trust or agency capacity for others and cannot be used to support the government's own programs. These fiduciary funds include agency funds that account for emergency management services and the county assessor to name a few.

The fiduciary funds required financial statements include a statement of fiduciary assets and liabilities.

A summary reconciliation between government-wide financial statements and the fund financial statements follows the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position.

The County's combined net assets increased by \$3,152,942 from FY 2004. The increase in net assets is primarily due to an increase in Cash and Pooled Investments from the Local Option Sales and Services Tax and Capital contributions for Secondary Road Farm-to-Market projects. Our analysis below focuses on the net assets of the County's governmental activities.

Net Assets of Governmental Activities		
	2004	2005
Current and other assets	15,511,646	21,377,018
Capital assets	16,361,051	18,668,254
Total assets	31,872,697	40,045,272
Long-term debt outstanding	970,143	5,957,619
Other Liabilities	8,575,307	8,607,464
Total Liabilities	9,545,450	14,565,083
Net assets:		
Invested in capital assets, net of related debt	15,601,051	17,572,037
Restricted	5,969,765	7,271,115
Unrestricted	756,431	636,994
Total net assets	22,327,247	25,480,189

Net assets of the County's governmental activities increased by 14.12%. The largest portion of the County's net assets is Invested in Capital Assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the Investment in Capital Assets is liquidated with sources other than capital assets. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, decreased from \$756,431 at June 30, 2004 to \$636,994 at the end of this year, a decrease of 15.8 percent.

This reduction of \$119,437 in unrestricted net assets was a result of increased expenditures for a Courthouse Roof Repair capital project. The county increased its investment in roadway equipment and road construction by approximately \$458,607 over the prior year.

The County has adopted a five year plan to replace aging equipment and bring all County secondary roads up to the standards established by the County Planning Committee, and adopted by the County Board of Supervisors, on March 28, 2005.

Changes in Net Assets of Governmental Activities

	2004	2005	Net Change
Revenues:			
Program revenues:			
Charges for service and sales	2,030,326	1,981,326	(49,000)
Operating grants and contributions	6,032,692	5,358,056	(674,636)
Capital grants and contributions	2,082,046	1,868,215	(213,831)
General revenues:			
Property tax, state credits, penalty	7,408,594	8,057,836	649,242
Local option sales and services tax	409,021	1,038,257	629,236
Grants and contributions not restricted to specific purposes	75,340	63,533	(11,807)
Unrestricted investment earnings	84,158	128,168	44,010
Other general revenues	59,258	99,012	39,754
Total revenues	18,181,435	18,594,403	412,968
Program expenses:			
Public safety and legal services	2,054,096	2,032,664	(21,432)
Physical health and social services	2,157,934	2,216,781	58,847
Mental health	2,406,394	2,223,060	(183,334)
County environment and education	1,100,250	1,183,797	83,547
Roads and transportation	5,050,687	5,254,451	203,764
Government services to residents	447,361	519,886	72,525
Administration or general government	2,079,081	1,893,692	(185,389)
Capital Projects	472,763	0	(472,763)
Interest on long-term debt	31,276	117,130	85,854
Total expenses	15,799,842	15,441,461	(358,381)
Increase (decrease) in net assets	2,381,593	3,152,942	771,349
Net assets July 1	19,945,654	22,327,247	2,381,593
Net assets June 30	22,327,247	25,480,189	3,152,942

The County's total government wide revenues increased 2.27%. The total government wide cost of all programs and services decreased 2.27%. The County covered this year's expenses.

Governmental Activities

Property and other County tax revenue for the year increased 8.8%. The County increased property tax rates in 2005 by \$.78179. The levy increase was a result of a \$33,745,216 countywide taxable valuation decrease. The valuation decrease was caused by the residential rollback and a dramatic reduction in Agricultural values. A Debt Service Levy of .07689 was added for the first time. Property tax revenues are budgeted to increase by an additional \$422,789 next year.

The cost of all governmental activities this year was \$15,441,461 compared to \$15,799,842 last year. However, as shown in the Statement of Activities on page 20, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$6,233,864 because some of the cost was paid by those directly benefiting from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. The County's governmental program revenues, including grants, intergovernmental aid, and fees for services, decreased in 2005 from \$10,145,064 to \$9,207,597.

THE COUNTY'S INDIVIDUAL MAJOR FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of \$12,819,882 which is more than last year's total of \$7,033,558. The County funds received \$5,786,324 more than were expended for the year. The following are the major reasons for the changes in fund balances for the year:

General Fund revenues increased by 6.68% over the prior year from \$7,522,292 in 2004 to \$8,024,761 in 2005. The increase in revenues can be directly attributed to an increase in property tax revenues. General Fund expenses decreased from \$8,813,267 in 2004 to \$7,946,357 in 2005 or 9.83%. The decrease in expense can be directly attributed to a decrease in spending for capital projects upon the completion of the courthouse roof and fourth floor projects.

The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$2,226,239 a decrease of 6.9% from the prior year. The Mental Health Fund balance at year end increased by \$86,135 or 8.67% over the prior year.

Rural Service Fund revenues increased 27% from \$1,519,684 in 2004 to \$1,934,030 in 2005. The Rural Service ending fund balance increased by \$155,698 or 52% due to an increase in revenues from the Local Option Sales and Services Tax. Secondary Roads Fund expenditures decreased by \$211,815 or 4% from the prior year. Transfers-in decreased by \$174,316. The ending fund balance in the Secondary Roads Fund was \$2,573,097 an increase of \$453,488 over the prior year.

Capital Projects Fund issued a \$5,100,000 G.O. Bond in FY 04-05 for a new Marion County Law Enforcement Center. Construction on the project began in the fall of 2005.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on a cash basis. Over the course of the year, the County amended its operating budget one time. The amendment was made on May 23, 2005. Highlights of the budget amendment were the addition of a G.O. Bond issuance for the Law Enforcement Center Project and Secondary Road expenditures due to fuel price increases. The Debt Service function area was the only budget area exceeded at year end. It was exceeded due to not budgeting for administrative fees on the principle and interest payments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY05, Marion County had \$18,668,254 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of \$2,307,203, or 14.1% over last year.

Capital Assets of Governmental Activities at Year End

	2005	2004
Land & other non-depreciated assets	\$ 478,718	2,751,527
Buildings & Improvements	5,565,180	2,084,093
Machinery & Equipment	2,040,671	2,056,991
Infrastructure	10,583,685	9,468,440
Totals	\$ 18,668,254	16,361,051

Debt

At year-end, the County had approximately \$5,960,000 in outstanding debt compared to approximately \$970,000 last year as shown below.

Outstanding Debt of Governmental Activities at Year-End

	2005	2004
Urban Renewal Tax Increment Bonds	\$ 80,000	160,000
Compensated absences	212,052	210,143
Early Retirement	15,567	0
General Obligation Courthouse Improvement Bonds	550,000	600,000
General Obligation Law Enforcement Center Bonds	5,100,000	0
Totals	\$ 5,957,619	970,143

Debt increased as a result of the issuance of General Obligation Bonds for a new county law enforcement center. Other obligations include accrued vacation pay, compensatory time and early retirement. More detailed information about the County's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Marion County's elected and appointed officials and citizens considered many factors when setting the 2006 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. One of those factors is the economy. Residential sales of property in the County continue to be strong. Countywide valuations remained steady in 2005. Unemployment in the State now stands at 4.1 percent versus 5.1 percent a year ago. The Consumer Price Increase was 3.01%.

These indicators were taken into account when adopting the County budget for 2006. Amounts available for appropriation in the operating budget are \$22,947,136, an increase of 26.5 percent over the final 2005 budget. Property tax rates and G.O. Bond revenues are expected to support this increase. Marion County will use these receipts to finance programs currently offered and offset the effect we expect inflation to have on program costs. The County has added no major new programs to the 2006 budget and our new County Law Enforcement Center Project is under construction with a November 2006 expected completion date.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Marion County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Marion County, 214 E Main Street, Knoxville, Iowa.

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Basic Financial Statements

MARION COUNTY
STATEMENT OF NET ASSETS
June 30, 2005

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 11,895,660
Receivables:	
Property tax:	
Delinquent	51,741
Succeeding year	7,763,000
Interest and penalty on property tax	39,804
Accounts	136,322
Accrued interest	67,036
Due from other governments	401,920
Inventories	1,021,535
Capital assets, net of accumulated depreciation (note 5)	<u>18,668,254</u>
Total assets	<u>40,045,272</u>
Liabilities	
Accounts payable	344,473
Salaries and benefits payable	165,104
Due to other governments (note 6)	134,230
Accrued interest payable	39,262
Reserve for claims incurred but not reported	161,395
Deferred revenue:	
Succeeding year property tax	7,763,000
Long-term liabilities (note 7):	
Portion due or payable within one year:	
Urban renewal tax increment revenue bonds	80,000
General obligation bonds	235,000
Early retirement	15,567
Compensated absences	212,052
Portion due or payable after one year:	
General obligation bonds	<u>5,415,000</u>
Total liabilities	<u>14,565,083</u>

MARION COUNTY
STATEMENT OF NET ASSETS
June 30, 2005

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 17,572,037
Restricted for:	
Supplemental levy purposes	2,312,943
Mental health purposes	1,074,240
Rural services	267,628
Secondary roads	2,488,737
Other special revenue purposes	1,127,610
Unrestricted	<u>636,994</u>
Total net assets	<u><u>\$ 25,480,189</u></u>

See notes to financial statements.

MARION COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Governmental Activities:					
Public safety and legal services	\$ 2,032,664	\$ 264,985	\$ 1,347	\$ -	\$ (1,766,332)
Physical health and social services	2,216,781	214,647	1,217,782	-	(784,352)
Mental health	2,223,060	237,717	987,061	-	(998,282)
County environment and education	1,183,797	279,761	28,542	-	(875,494)
Roads and transportation	5,254,451	336,702	3,116,483	1,868,215	66,949
Government services to residents	519,886	564,445	3,675	-	48,234
Administration	1,893,692	83,069	3,166	-	(1,807,457)
Interest on long-term debt	<u>117,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(117,130)</u>
Total	<u>\$ 15,441,461</u>	<u>\$ 1,981,326</u>	<u>\$ 5,358,056</u>	<u>\$ 1,868,215</u>	<u>(6,233,864)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					7,413,695
Debt service					164,575
Penalty and interest on property tax					90,327
State tax credits					389,239
Local option sales and services tax					1,038,257
Grants and contributions not restricted to a specific purpose					63,533
Unrestricted investment earnings					128,168
Miscellaneous					<u>99,012</u>
Total general revenues					<u>9,386,806</u>
Change in net assets					3,152,942
Net assets beginning of year					<u>22,327,247</u>
Net assets end of year					\$ 25,480,189

See notes to financial statements.

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MARION COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 2,915,087	\$ 1,262,919	\$ 461,102	\$ 1,475,527
Receivables:				
Property tax:				
Delinquent	21,799	4,279	8,194	16,886
Succeeding year	4,854,000	1,039,000	1,605,000	-
Interest and penalty on property tax	39,804	-	-	-
Accounts	110,814	18,450	-	-
Accrued interest	26,805	-	-	-
Due from other governments	70,633	4,811	24,124	254,104
Inventories	-	-	-	1,021,535
Total assets	<u>\$ 8,038,942</u>	<u>\$ 2,329,459</u>	<u>\$ 2,098,420</u>	<u>\$ 2,768,052</u>

<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 4,594,658	\$ 1,108,840	\$ 11,818,133
-	583	51,741
-	265,000	7,763,000
-	-	39,804
-	7,058	136,322
39,125	1,106	67,036
-	48,248	401,920
-	-	1,021,535
<u>\$ 4,633,783</u>	<u>\$ 1,430,835</u>	<u>\$ 21,299,491</u>

MARION COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Warrants written in excess of bank balance	\$ -	\$ -	\$ -	-
Accounts payable	119,891	57,717	24,515	139,743
Salaries and benefits payable	87,459	14,418	8,015	55,212
Due to other governments (note 6)	-	134,230	-	-
Deferred revenue:				
Succeeding year property tax	4,854,000	1,039,000	1,605,000	-
Other	55,571	3,567	6,741	-
Total liabilities	<u>5,116,921</u>	<u>1,248,932</u>	<u>1,644,271</u>	<u>194,955</u>
Fund balance:				
Reserved for:				
Inventories	-	-	-	1,021,535
Supplemental levy purposes	2,147,766	-	191,014	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	774,255	-	-	-
Special revenue funds	-	1,080,527	263,135	1,551,562
Capital projects fund	-	-	-	-
Total fund balances	<u>2,922,021</u>	<u>1,080,527</u>	<u>454,149</u>	<u>2,573,097</u>
Total liabilities and fund balances	<u>\$ 8,038,942</u>	<u>\$ 2,329,459</u>	<u>\$ 2,098,420</u>	<u>\$ 2,768,052</u>

See notes to financial statements.

<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 6,373	\$ 6,373
-	2,607	344,473
-	-	165,104
-	-	134,230
-	265,000	7,763,000
-	550	66,429
-	274,530	8,479,609
-	-	1,021,535
-	-	2,338,780
-	28,695	28,695
-	-	774,255
-	1,127,610	4,022,834
4,633,783	-	4,633,783
4,633,783	1,156,305	12,819,882
<u>\$ 4,633,783</u>	<u>\$ 1,430,835</u>	<u>\$ 21,299,491</u>

MARION COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2005

Total fund balances of governmental funds	\$ 12,819,882
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$29,095,991 and the accumulated depreciation is \$10,427,737.	18,668,254
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	66,429
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The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.	(77,495)
--	----------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(39,262)
--	----------

Long-term liabilities, including bonds payable, early retirement benefits and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<div style="border-top: 1px solid black; display: inline-block;">(5,957,619)</div>
--	--

Net assets of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ 25,480,189</div>
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See notes to financial statements.

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MARION COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 5,047,149	\$ 1,034,532	\$ 1,846,505	\$ -
Interest and penalty on property tax	81,839	-	-	-
Intergovernmental	1,630,388	1,040,125	87,513	3,359,885
Licenses and permits	11,206	-	-	3,732
Charges for service	1,054,975	230,628	-	12,284
Use of money and property	95,316	-	-	-
Miscellaneous	103,888	7,089	12	320,716
Total revenues	8,024,761	2,312,374	1,934,030	3,696,617
Expenditures:				
Operating:				
Public safety and legal services	2,025,793	-	-	-
Physical health and social services	2,226,147	-	-	-
Mental health	-	2,226,239	-	-
County environment and education	753,524	-	204,577	-
Roads and transportation	301,078	-	219,737	4,070,180
Government services to residents	456,027	-	2,655	-
Administration	1,595,011	-	116,991	-
Debt service	-	-	-	-
Capital projects	588,777	-	438	495,440
Total expenditures	7,946,357	2,226,239	544,398	4,565,620
Excess (deficiency) of revenues over (under) expenditures	78,404	86,135	1,389,632	(869,003)
Other financing sources (uses):				
Sale of capital assets	2,433	-	-	88,557
Interfund transfers in (note 3)	-	-	-	1,233,934
Interfund transfers out (note 3)	-	-	(1,233,934)	-
General obligation bonds issued	-	-	-	-
Total other financing sources (uses)	2,433	-	(1,233,934)	1,322,491

Capital Projects	Nonmajor Governmental Funds	Total
\$ -	\$ 683,349	\$ 8,611,535
-	-	81,839
-	21,398	6,139,309
-	-	14,938
-	141,641	1,439,528
39,237	3,015	137,568
-	8,698	440,403
39,237	858,101	16,865,120
-	8,107	2,033,900
-	-	2,226,147
-	-	2,226,239
-	-	958,101
-	-	4,590,995
-	44,276	502,958
-	-	1,712,002
-	159,265	159,265
454,454	270,070	1,809,179
454,454	481,718	16,218,786
(415,217)	376,383	646,334
-	-	90,990
-	-	1,233,934
-	-	(1,233,934)
5,049,000	-	5,049,000
5,049,000	-	5,139,990

MARION COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Net change in fund balances	\$ 80,837	\$ 86,135	\$ 155,698	\$ 453,488
Fund balances beginning of year	2,841,184	994,392	298,451	2,119,609
Fund balances end of year	<u>\$ 2,922,021</u>	<u>\$ 1,080,527</u>	<u>\$ 454,149</u>	<u>\$ 2,573,097</u>

See notes to financial statements.

<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 4,633,783	\$ 376,383	\$ 5,786,324
-	779,922	7,033,558
<u>\$ 4,633,783</u>	<u>\$ 1,156,305</u>	<u>\$ 12,819,882</u>

MARION COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Net change in fund balances - total governmental funds \$ 5,786,324

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense to allocate those
expenditures over the life of the assets. The amount of capital outlays and
depreciation expense in the current year are as follows:

	Capital outlays	\$ 1,912,662	
Capital assets contributed by the Iowa Department of Transportation	1,624,813		
Depreciation expense	<u>(1,230,272)</u>		2,307,203

Because some revenues will not be collected for several months after the
County's year end, they are not considered available revenues and are
deferred in the governmental funds.

	Property tax	13,480
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.	(5,049,000)
---	-------------

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	130,000
--	---------

Some expenses reported in the statement of activities do not require the use
of current financial resources and, therefore, are not reported as
expenditures in governmental funds, as follows:

	Compensated absences	(1,909)	
	Early retirement	(15,567)	
Interest on long-term debt	(36,865)		
Bond issuance costs	<u>(51,000)</u>		(105,341)

The Internal Service Fund is used by management to charge the costs of
employee health, dental and life insurance benefits to individual funds, as
well as to account for the flex benefits plan. The change in net assets of
the Internal Service Funds is reported with governmental activities.

	<u>70,276</u>
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Change in net assets of governmental activities	<u><u>\$ 3,152,942</u></u>
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See notes to financial statements.

MARION COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2005

	<u>Internal Service</u>
Assets	
Cash and cash equivalents	\$ <u>83,900</u>
Liabilities	
Reserve for claims incurred but not reported	<u>161,395</u>
Net Assets	
Unrestricted	\$ <u><u>(77,495)</u></u>
See notes to financial statements.	

MARION COUNTY
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 Year Ended June 30, 2005

	<u>Internal Service</u>
Operating revenues:	
Charges for services	\$ <u>1,243,439</u>
Operating expenses:	
Claims	1,157,900
Insurance premiums	4,116
Miscellaneous	<u>11,195</u>
Total operating expenses	<u>1,173,211</u>
Operating income	70,228
Non-operating revenues:	
Interest on investments	<u>48</u>
Net income	70,276
Net assets beginning of year	<u>(147,771)</u>
Net assets end of year	\$ <u><u>(77,495)</u></u>
See notes to financial statements.	

MARION COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2005

	<u>Internal Service</u>
Cash flows from operating activities:	
Cash received from contributions	\$ 1,243,439
Cash payments to suppliers for services	(1,160,591)
Cash payments for insurance premiums	<u>(4,116)</u>
Net cash provided by operating activities	<u>78,732</u>
Cash flows from investing activities:	
Interest on investments	<u>48</u>
Net increase in cash and cash equivalents	78,780
Cash and cash equivalents at beginning of year	<u>5,120</u>
Cash and cash equivalents at end of year	<u>\$ 83,900</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 70,228
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in reserve for claims incurred but not reported	<u>8,504</u>
Net cash provided by operating activities	<u>\$ 78,732</u>

See notes to financial statements.

MARION COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2005

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,351,194
Other County officials (note 4)	271,059
Property tax receivable:	
Delinquent	73,263
Succeeding year	22,373,000
Accounts	63,413
Accrued interest	512
Due from other governments	<u>19,204</u>
Total assets	<u><u>\$ 24,151,645</u></u>

Liabilities

Accounts payable	\$ 87,184
Salaries and benefits payable	8,176
Due to other governments (note 6)	23,773,611
Trusts payable	261,359
Compensated absences	<u>21,315</u>
Total liabilities	<u><u>\$ 24,151,645</u></u>

See notes to financial statements.

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies

Marion County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Marion County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Marion County Assessor's Conference Board, Marion County Emergency Management Commission and Marion County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The statement of net assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the main operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Additionally, the County reports the following funds:

Proprietary Fund - Internal Service Funds are used to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

The proprietary fund of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2004.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 250,000
Land, buildings and improvements	50,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-40
Improvements other than buildings	20-40
Infrastructure	30-50
Equipment and vehicles	5-20

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, delinquent property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the Debt Service function.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County's funds are all deposited in financial institution depository accounts.

Interest Rate Risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ <u>1,233,934</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 4. Cash – Other County Officials

The following is a summary of cash and investments held by other County officials at June 30, 2005:

Office:

County Auditor:

Office fees	\$	156	
Cemetery trusts		<u>3,825</u>	\$ 3,981

County Recorder:

Office fees			49,147
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Board of Supervisors:

County Care Facility - Residents' Conservator accounts	77,699	
Knoxville Congregate Meals Trust	139,541	
Senior Activity Trust	<u>691</u>	<u>217,931</u>
		\$ <u><u>271,059</u></u>

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 57,291	\$ 130,740	\$ -	\$ 188,031
Construction in progress	2,694,236	1,152,545	3,556,094	290,687
Total capital assets not being depreciated	<u>2,751,527</u>	<u>1,283,285</u>	<u>3,556,094</u>	<u>478,718</u>
Capital assets being depreciated:				
Buildings	3,429,710	3,675,871	-	7,105,581
Improvements other than buildings	251,987	-	-	251,987
Machinery and equipment	7,963,037	509,600	396,272	8,076,365
Infrastructure	11,558,527	1,624,813	-	13,183,340
Total capital assets being depreciated	<u>23,203,261</u>	<u>5,810,284</u>	<u>396,272</u>	<u>28,617,273</u>
Less accumulated depreciation for:				
Buildings	1,506,832	183,599	-	1,690,431
Improvements other than buildings	90,772	11,185	-	101,957
Machinery and equipment	5,906,046	525,920	396,272	6,035,694
Infrastructure	2,090,087	509,568	-	2,599,655
Total accumulated depreciation	<u>9,593,737</u>	<u>1,230,272</u>	<u>396,272</u>	<u>10,427,737</u>
Total capital assets being depreciated, net	<u>13,609,524</u>	<u>4,580,012</u>	<u>-</u>	<u>18,189,536</u>
Governmental activities capital assets, net	<u>\$ 16,361,051</u>	<u>\$ 5,863,297</u>	<u>\$ 3,556,094</u>	<u>\$ 18,668,254</u>

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 56,149
Physical health and social services	6,383
County environment and education	68,976
Roads and transportation	882,756
Government services to residents	19,068
Administration	<u>196,940</u>

Total depreciation expense - governmental activities	<u>\$ 1,230,272</u>
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Note 6. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Services and Collections</u>	<u>Delinquent and Succeeding Year Property Taxes</u>	<u>Total</u>
Special Revenue:				
Mental Health	Services	\$ <u>134,230</u>	\$ <u>-</u>	\$ <u>134,230</u>
Agency:				
County Assessor	Collections	\$ 28,893	\$ 288,048	\$ 316,941
Schools		241,723	13,620,150	13,861,873
Community College		8,571	584,121	592,692
Corporations		97,732	7,426,622	7,524,354
Townships		6,326	356,679	363,005
E-911		255,261	-	255,261
Auto License and Use Tax		600,371	-	600,371
All Other		<u>88,471</u>	<u>170,643</u>	<u>259,114</u>
Total for agency funds		<u>\$ 1,327,348</u>	<u>\$ 22,446,263</u>	<u>\$ 23,773,611</u>

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Urban Renewal Tax Increment Revenue Bonds	General Obligation Courtthouse Improvement Bonds	General Obligation Law Enforcement Center Bonds	Early Retirement	Compensated Absences	Total
Balance beginning of year	\$ 160,000	\$ 600,000	\$ -	\$ -	\$ 210,143	\$ 970,143
Increases	-	-	5,100,000	15,567	212,052	5,327,619
Decreases	80,000	50,000	-	-	210,143	340,143
Balance end of year	<u>\$ 80,000</u>	<u>\$ 550,000</u>	<u>\$ 5,100,000</u>	<u>\$ 15,567</u>	<u>\$ 212,052</u>	<u>\$ 5,957,619</u>
Due within one year	<u>\$ 80,000</u>	<u>\$ 55,000</u>	<u>\$ 180,000</u>	<u>\$ 15,567</u>	<u>\$ 212,052</u>	<u>\$ 542,619</u>

Urban Renewal Tax Increment Revenue Bonds

In October 1994 the County issued urban renewal tax increment bonds for the purpose of defraying a portion of the costs of carrying out an urban renewal project within the County. The bonds are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The bonds are not a general obligation of the County. However, the debt is subject to the constitutional debt limitations of the County.

The County has approved a Board resolution stating that any funds remaining in the Urban Renewal Tax Increment fund at the end of the bond term will be transferred to the Special Revenue, Secondary Roads Fund to reimburse Urban Renewal Project expenditures incurred by the Secondary Roads Fund in accordance with the bond agreement.

A summary of the County's June 30, 2005 bonded indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2006	6.250 %	<u>\$ 80,000</u>	<u>\$ 5,000</u>	<u>\$ 85,000</u>

The County retired \$80,000 in principal on the bonds during the year ended June 30, 2005.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2005

Note 7. Long-Term Liabilities

Courthouse Improvement Bonds Payable

A summary of the County's June 30, 2005, general obligation courthouse improvement bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2006	2.50 %	\$ 55,000	\$ 17,615	\$ 72,615
2007	2.50	55,000	16,240	71,240
2008	2.70	55,000	14,865	69,865
2009	2.95	60,000	13,380	73,380
2010	3.25	60,000	11,610	71,610
2011	3.45	60,000	9,660	69,660
2012	3.60	65,000	7,590	72,590
2013	3.70	70,000	5,250	75,250
2014	3.80	70,000	2,660	72,660
		<u>\$ 550,000</u>	<u>\$ 98,870</u>	<u>\$ 648,870</u>

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 7. Long-Term Liabilities

Law Enforcement Center Bonds Payable

During the year ended June 30, 2005, the County issued \$5,100,000 in general obligation law enforcement center bonds with interest rates ranging from 2.45% to 4.20%. The proceeds will be used to construct and equip a new County law enforcement center.

A summary of the County's June 30, 2005 general obligation law enforcement center bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2006	2.45 %	\$ 180,000	\$ 220,689	\$ 400,689
2007	2.60	195,000	177,810	372,810
2008	2.75	200,000	172,740	372,740
2009	2.90	210,000	167,240	377,240
2010	3.00	215,000	161,150	376,150
2011	3.15	220,000	154,700	374,700
2012	3.25	230,000	147,770	377,770
2013	3.30	240,000	140,295	380,295
2014	3.40	250,000	132,375	382,375
2015	3.50	260,000	123,875	383,875
2016	3.60	270,000	114,775	384,775
2017	3.70	285,000	105,055	390,055
2018	3.80	295,000	94,510	389,510
2019	3.90	310,000	83,300	393,300
2020	4.00	325,000	71,210	396,210
2021	4.00	340,000	58,210	398,210
2022	4.10	355,000	44,610	399,610
2023	4.15	370,000	30,055	400,055
2024	4.20	350,000	14,700	364,700
		<u>\$ 5,100,000</u>	<u>\$ 2,215,069</u>	<u>\$ 7,315,069</u>

Early Retirement

Employees who retire at age 62 or who retire and meet the full Iowa Public Employees Retirement System membership, age, and service requirements may choose to continue participation in the County's health insurance plan. The benefit received is equal to one-half of any accumulated sick leave days times the employee's daily rate. This amount is applied by the County to the monthly health insurance premium until the benefit is consumed. The early retirement benefits will be payable primarily from the General Fund and Special Revenue Funds, Rural Services and Secondary Roads.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 7. Long-Term Liabilities

Non-current Interfund Loan

The General Supplemental Fund within the General Fund account loaned the General Basic Fund within the General Fund Account \$1,000,000 on June 30, 2004 to help temporarily finance the courthouse roof repair project. The loan will be paid back to the General Supplemental Fund over a 10 year period at 2% interest. The County combines these two funds into the General Fund for reporting purposes so this loan is not reflected in the financial statements. The County made no payments on the loan during the year ended June 30, 2005.

Note 8. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2005 are 8.535% and 8.535%, respectively. For the year ended June 30, 2004, the contribution rates for law enforcement employees and the County were 4.99% and 7.48%, respectively, and for the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 7.48%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$330,358, \$321,723 and \$311,848, respectively, equal to the required contributions for each year.

Note 9. Risk Management

Marion County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 509 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 9. Risk Management (continued)

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2005 were \$238,762.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2005, no liability has been recorded in the County's financial statements. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 9. Risk Management (continued)

Marion County Employee Health Plan

Marion County has an administrative services agreement with Wellmark Blue Cross and Blue Shield to administer self-funded employee health and dental benefit plans. Monthly payments of service fees and contributions to fund the plans are paid to the Marion County Auditor, trustee for the plan. The monthly payments of service fees and plan contributions are recorded as expenditures at the time of the payment to the trustees. Under the agreement, payments for service fees and paid claims are remitted to Wellmark Blue Cross and Blue Shield of Iowa on a monthly basis. At June 30, 2005, the Marion County Employee Health Plan and Employee Dental Plan had deficit net assets of \$(76,375) and \$(3,837), respectively.

The County purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$35,000 in insured claims for any single covered individual. Settled claims have not exceeded the commercial coverage in any of the past three plan years.

The change in the incurred but not reported and unpaid claims liability for the year ended June 30, 2005 is as follows:

	Employee Health	Employee Dental
Unpaid claims at July 1, 2004	\$ 152,891	\$ -
Incurred claims and claim adjustments	1,076,409	58,476
Claims paid	<u>(1,075,505)</u>	<u>(50,876)</u>
Unpaid claims at June 30, 2005	\$ <u>153,795</u>	\$ <u>7,600</u>

Note 10. Subsequent Event

On August 22, 2005, the County approved a contract for the new law enforcement center totaling \$5,040,000. The law enforcement center will be paid for with proceeds from the issuance of \$5,100,000 of general obligation bonds as discussed in Note 7 to the financial statements.

Note 11. Contingent Liabilities

Landfill Closure Assurance Guaranty

The County participates in an agreement with the South Central Iowa Solid Waste Agency, a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Agency includes providing economic disposal of solid waste produced or generated within the member counties and municipalities.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 11. Contingent Liabilities (continued)

Landfill Closure Assurance Guaranty (continued)

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The closure and post-closure costs to the Agency have been estimated at \$2,117,300. The Agency has begun to accumulate resources to fund these closure costs, and as of June 30, 2005, expects to hold deposits of \$1,471,240 for this purpose. The Agency is required to accumulate the full amount of funds required for closure and post-closure during the life of the landfill. However, it must have additional mechanisms in place at all times during the life of the landfill to equal 100 percent of the current cost estimates.

The County has provided a Local Government Guaranty for a portion of the closure and post-closure costs of the landfill as per Chapter 111.6(8) of the Iowa Administrative Code. The County's financial assurance obligation equals \$44,388. By providing a Local Government Guaranty, no liability has been recognized on the County's financial statements.

Note 12. Financial Condition

The Special Revenue Fund, Emergency Medical Services, reported within the nonmajor governmental funds, had a deficit fund balance of \$6,373 at June 30, 2005. In addition, the Internal Service Funds, Self-Funded Employee Health and Self-Funded Employee Dental, had deficit balances of \$76,365 and \$3,847, respectively, at June 30, 2005.

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Required Supplementary Information

MARION COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds Required Supplementary Information Year Ended June 30, 2005

	Actual	Budgeted Amounts		Final to Net Variance
		Original	Final	
RECEIPTS:				
Property and other County tax	\$ 8,656,300	\$ 8,543,307	\$ 8,543,307	\$ 112,993
Interest and penalty on property tax	83,541	5,000	5,000	78,541
Intergovernmental	6,202,065	6,453,861	6,465,343	(263,278)
Licenses and permits	13,803	20,000	20,000	(6,197)
Charges for service	1,366,576	1,418,227	1,418,227	(51,651)
Use of money and property	101,315	8,200	8,200	93,115
Miscellaneous	438,412	198,400	270,400	168,012
Total receipts	<u>16,862,012</u>	<u>16,646,995</u>	<u>16,730,477</u>	<u>131,535</u>
DISBURSEMENTS:				
Public safety and legal services	2,049,155	2,270,188	2,286,670	237,515
Physical health and social services	2,210,606	2,608,780	2,612,780	402,174
Mental health	2,274,180	2,800,610	2,800,610	526,430
County environment and education	973,866	1,028,300	1,028,300	54,434
Roads and transportation	4,721,454	5,082,041	5,148,241	426,787
Government services to residents	500,693	531,941	531,941	31,248
Administration	1,693,826	1,901,491	1,916,491	222,665
Debt service	159,265	158,965	158,965	(300)
Capital projects	1,906,792	1,750,200	2,253,514	346,722
Total disbursements	<u>16,489,837</u>	<u>18,132,516</u>	<u>18,737,512</u>	<u>2,247,675</u>
Excess (deficiency) of receipts over (under) disbursements	372,175	(1,485,521)	(2,007,035)	2,379,210
Other financing sources, net	<u>5,139,990</u>	<u>55,000</u>	<u>5,104,000</u>	<u>35,990</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	5,512,165	(1,430,521)	3,096,965	2,415,200
Balance beginning of year	<u>6,299,595</u>	<u>3,767,171</u>	<u>3,767,171</u>	<u>2,532,424</u>
Balance end of year	<u>\$ 11,811,760</u>	<u>\$ 2,336,650</u>	<u>\$ 6,864,136</u>	<u>\$ 4,947,624</u>

See accompanying independent auditor's report.

MARION COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2005

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 16,862,012	\$ 3,108	\$ 16,865,120
Expenditures	16,489,837	(271,051)	16,218,786
Net	372,175	274,159	646,334
Other financing sources	5,139,990	-	5,139,990
Beginning fund balances	6,299,595	733,963	7,033,558
Ending fund balances	<u>\$ 11,811,760</u>	<u>\$ 1,008,122</u>	<u>\$ 12,819,882</u>

See accompanying independent auditor's report.

MARION COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$604,996. This budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the Debt Service function.

Other Supplementary Information

MARION COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005

	Special Revenue				
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Emergency Medical Service	Conservation Land Acquisition	Resource Enhancement and Protection
Assets					
Cash and pooled investments	\$ 20,771	\$ 11,097	\$ -	\$ 351,062	\$ 228,652
Receivables:					
Property tax:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Accounts	743	-	-	6,255	-
Accrued interest	42	50	-	-	873
Due from other governments	-	-	-	-	-
Total assets	<u>\$ 21,556</u>	<u>\$ 11,147</u>	<u>\$ -</u>	<u>\$ 357,317</u>	<u>\$ 229,525</u>
Liabilities and Fund Equity					
Liabilities:					
Warrants written in excess of bank balance	\$ -	\$ -	\$ 6,373	\$ -	-
Accounts payable	-	2,607	-	-	-
Deferred revenue:					
Succeeding year taxes	-	-	-	-	-
Other	-	-	-	-	-
Total liabilities	<u>-</u>	<u>2,607</u>	<u>6,373</u>	<u>-</u>	<u>-</u>
Fund equity:					
Fund balances:					
Reserved for:					
Debt service	-	-	-	-	-
Unreserved	<u>21,556</u>	<u>8,540</u>	<u>(6,373)</u>	<u>357,317</u>	<u>229,525</u>
Total fund equity	<u>21,556</u>	<u>8,540</u>	<u>(6,373)</u>	<u>357,317</u>	<u>229,525</u>
Total liabilities and fund equity	<u>\$ 21,556</u>	<u>\$ 11,147</u>	<u>\$ -</u>	<u>\$ 357,317</u>	<u>\$ 229,525</u>

See accompanying independent auditor's report.

County Government Assistance	Local Option Sales and Services Tax	Sheriff's Forfeiture	Courthouse Security	Debt Service		Total
				Courthouse Roof	Urban Renewal Tax Increment	
\$ 87,306	\$ 348,141	\$ 11,616	\$ 21,674	\$ 6,952	\$ 21,569	\$ 1,108,840
-	-	-	-	583	-	583
-	-	-	-	172,000	93,000	265,000
60	-	-	-	-	-	7,058
-	-	-	-	34	107	1,106
-	48,248	-	-	-	-	48,248
<u>\$ 87,366</u>	<u>\$ 396,389</u>	<u>\$ 11,616</u>	<u>\$ 21,674</u>	<u>\$ 179,569</u>	<u>\$ 114,676</u>	<u>\$ 1,430,835</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	6,373
-	-	-	-	-	-	2,607
-	-	-	-	172,000	93,000	265,000
-	-	-	-	550	-	550
-	-	-	-	172,550	93,000	274,530
-	-	-	-	7,019	21,676	28,695
87,366	396,389	11,616	21,674	-	-	1,127,610
87,366	396,389	11,616	21,674	7,019	21,676	1,156,305
<u>\$ 87,366</u>	<u>\$ 396,389</u>	<u>\$ 11,616</u>	<u>\$ 21,674</u>	<u>\$ 179,569</u>	<u>\$ 114,676</u>	<u>\$ 1,430,835</u>

MARION COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	Special Revenue				
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Emergency Medical Service	Conservation Land Acquisition	Resource Enhancement and Protection
Revenues:					
Property and other County tax	\$ -	\$ -	\$ -	\$ -	-
Intergovernmental	-	-	-	-	14,376
Charges for service	7,896	14,196	-	111,032	-
Use of money and property	192	263	-	-	1,668
Miscellaneous	-	-	-	-	-
Total revenues	8,088	14,459	-	111,032	16,044
Expenditures:					
Operating:					
Public safety and legal services	-	-	7,676	-	-
Government services to residents	15,608	28,668	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	41,000	-
Total expenditures	15,608	28,668	7,676	41,000	-
Excess (deficiency) of revenues over (under) expenditures	(7,520)	(14,209)	(7,676)	70,032	16,044
Fund balances beginning of year	29,076	22,749	1,303	287,285	213,481
Fund balances end of year	\$ 21,556	\$ 8,540	\$ (6,373)	\$ 357,317	\$ 229,525

See accompanying independent auditor's report.

County Government Assistance	Local Option Sales and Services Tax	Sheriff's Forfeiture	Courthouse Security	Debt Service		Total
				Courthouse Roof	Urban Renewal Tax Increment	
\$ -	\$ 519,129	\$ -	\$ -	\$ 70,340	\$ 93,880	\$ 683,349
3,675	-	-	-	3,347	-	21,398
871	-	-	7,646	-	-	141,641
-	-	-	-	261	631	3,015
-	-	8,698	-	-	-	8,698
4,546	519,129	8,698	7,646	73,948	94,511	858,101
-	-	431	-	-	-	8,107
-	-	-	-	-	-	44,276
-	-	-	-	69,365	89,900	159,265
18,170	210,900	-	-	-	-	270,070
18,170	210,900	431	-	69,365	89,900	481,718
(13,624)	308,229	8,267	7,646	4,583	4,611	376,383
100,990	88,160	3,349	14,028	2,436	17,065	779,922
\$ 87,366	\$ 396,389	\$ 11,616	\$ 21,674	\$ 7,019	\$ 21,676	\$ 1,156,305

MARION COUNTY
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 June 30, 2005

	Self-Funded Health Insurance	Self-Funded Dental Insurance	Flexible Benefits Plan	Total
Assets				
Cash and cash equivalents	\$ 77,430	\$ 3,753	\$ 2,717	\$ 83,900
Liabilities				
Reserve for claims incurred but not reported	153,795	7,600	-	161,395
Net Assets				
Unrestricted	\$ (76,365)	\$ (3,847)	\$ 2,717	\$ (77,495)

See accompanying independent auditor's report.

MARION COUNTY

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2005

	Self-Funded Health Insurance	Self-Funded Dental Insurance	Employee Life Insurance	Flexible Benefits Plan	Total
Operating revenues:					
Contributions	\$ 1,154,823	\$ 58,657	\$ 4,227	\$ 25,732	\$ 1,243,439
Operating expenses:					
Claims	1,076,409	58,476	-	23,015	1,157,900
Insurance premiums	-	-	4,116	-	4,116
Miscellaneous	7,056	4,028	111	-	11,195
Total operating expenses	1,083,465	62,504	4,227	23,015	1,173,211
Operating income (loss)	71,358	(3,847)	-	2,717	70,228
Non-operating revenues:					
Interest on investments	48	-	-	-	48
Net income (loss)	71,406	(3,847)	-	2,717	70,276
Net assets beginning of year	(147,771)	-	-	-	(147,771)
Net assets end of year	\$ (76,365)	\$ (3,847)	\$ -	\$ 2,717	\$ (77,495)

See accompanying independent auditor's report.

MARION COUNTY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2005

	Self-Funded Health Insurance	Self-Funded Dental Insurance	Employee Life Insurance	Flexible Benefits Plan	Total
Cash flows from operating activities:					
Cash received for contributions	\$ 1,154,823	\$ 58,657	\$ 4,227	\$ 25,732	\$ 1,243,439
Cash payments for claims	(1,075,505)	(50,876)	-	(23,015)	(1,149,396)
Cash payments for insurance premiums	-	-	(4,116)	-	(4,116)
Cash payments for fees and other expenses	(7,056)	(4,028)	(111)	-	(11,195)
Net cash provided by operating activities	<u>72,262</u>	<u>3,753</u>	<u>-</u>	<u>2,717</u>	<u>78,732</u>
Cash flows from investing activities:					
Interest on investments	<u>48</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48</u>
Net increase in cash and cash equivalents	72,310	3,753	-	2,717	78,780
Cash and cash equivalents at beginning of year	<u>5,120</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,120</u>
Cash and cash equivalents at end of year	<u>\$ 77,430</u>	<u>\$ 3,753</u>	<u>\$ -</u>	<u>\$ 2,717</u>	<u>\$ 83,900</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 71,358	\$ (3,847)	\$ -	\$ 2,717	\$ 70,228
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Increase in reserve for claims incurred but not reported	<u>904</u>	<u>7,600</u>	<u>-</u>	<u>-</u>	<u>8,504</u>
Net cash provided by operating activities	<u>\$ 72,262</u>	<u>\$ 3,753</u>	<u>\$ -</u>	<u>\$ 2,717</u>	<u>\$ 78,732</u>

See accompanying independent auditor's report.

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MARION COUNTY
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2005

	County Offices		Board of Supervisors		
	County Auditor	County Recorder	Congregate Meals	Care Facility	Senior Activity
ASSETS					
Cash and pooled investments:					
County Treasurer	\$ -	\$ -	\$ -	\$ -	-
Other County officials	3,981	49,147	139,541	77,699	691
Receivables:					
Property tax:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Accounts	-	2,772	-	-	-
Accrued interest	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ <u>3,981</u>	\$ <u>51,919</u>	\$ <u>139,541</u>	\$ <u>77,699</u>	\$ <u>691</u>
LIABILITIES					
Accounts payable	\$ 156	\$ 26,008	\$ -	\$ -	-
Salaries and benefits payable	-	-	-	-	-
Due to other governments	-	25,911	-	-	-
Trusts payable	3,825	-	139,541	77,699	691
Compensated absences	-	-	-	-	-
Total liabilities	\$ <u>3,981</u>	\$ <u>51,919</u>	\$ <u>139,541</u>	\$ <u>77,699</u>	\$ <u>691</u>

<u>Agricultural Extension Education</u>	<u>County Assessor</u>	<u>Area Schools</u>	<u>Schools</u>	<u>Corporations</u>	<u>E-911 Surcharge</u>	<u>Veteran Affairs</u>
\$ 2,672	\$ 43,114	\$ 8,571	\$ 241,723	\$ 97,732	\$ 213,901	\$ 431
-	-	-	-	-	-	-
603	1,048	2,121	51,150	16,622	-	-
165,000	287,000	582,000	13,569,000	7,410,000	-	-
-	-	-	-	-	45,017	-
-	-	-	-	-	510	2
-	-	-	-	-	2,352	-
<u>\$ 168,275</u>	<u>\$ 331,162</u>	<u>\$ 592,692</u>	<u>\$ 13,861,873</u>	<u>\$ 7,524,354</u>	<u>\$ 261,780</u>	<u>\$ 433</u>
\$ -	\$ 1,727	\$ -	\$ -	\$ -	\$ 4,482	\$ -
-	2,280	-	-	-	927	-
168,275	316,941	592,692	13,861,873	7,524,354	255,261	433
-	-	-	-	-	-	-
-	10,214	-	-	-	1,110	-
<u>\$ 168,275</u>	<u>\$ 331,162</u>	<u>\$ 592,692</u>	<u>\$ 13,861,873</u>	<u>\$ 7,524,354</u>	<u>\$ 261,780</u>	<u>\$ 433</u>

MARION COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2005

	<u>Townships</u>	<u>City Special Assessments</u>	<u>Auto License and Use Tax</u>	<u>Brucellosis and Tuberculosis Eradication</u>
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 6,326	\$ 6,489	\$ 624,111	\$ 57
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	1,679	-	-	12
Succeeding year	355,000	-	-	3,000
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
	<hr/>			
Total assets	<u>\$ 363,005</u>	<u>\$ 6,489</u>	<u>\$ 624,111</u>	<u>\$ 3,069</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 23,740	\$ -
Salaries and benefits payable	-	-	-	-
Due to other governments	363,005	6,489	600,371	3,069
Trusts payable	-	-	-	-
Compensated absences	-	-	-	-
	<hr/>			
Total liabilities	<u>\$ 363,005</u>	<u>\$ 6,489</u>	<u>\$ 624,111</u>	<u>\$ 3,069</u>

<u>Title III</u>	<u>Tax Sale Redemption</u>	<u>Fire District</u>	<u>Emergency Management</u>	<u>Jail Canteen</u>	<u>Chore Service</u>	<u>Recorder's Electronic Transaction Fee</u>
\$ (20,017)	\$ 369	\$ 59	\$ 61,805	\$ 19,620	\$ 13,027	\$ 695
-	-	-	-	-	-	-
-	-	28	-	-	-	-
-	-	2,000	-	-	-	-
14,876	-	-	-	-	-	743
-	-	-	-	-	-	-
6,487	-	-	7,574	-	-	-
<u>\$ 1,346</u>	<u>\$ 369</u>	<u>\$ 2,087</u>	<u>\$ 69,379</u>	<u>\$ 19,620</u>	<u>\$ 13,027</u>	<u>\$ 1,438</u>
\$ 6,411	\$ -	\$ -	\$ 224	\$ 349	\$ 3,399	\$ -
4,207	-	-	762	-	-	-
(9,272)	-	2,087	60,662	-	-	1,438
-	369	-	-	19,271	7,368	-
-	-	-	7,731	-	2,260	-
<u>\$ 1,346</u>	<u>\$ 369</u>	<u>\$ 2,087</u>	<u>\$ 69,379</u>	<u>\$ 19,620</u>	<u>\$ 13,027</u>	<u>\$ 1,438</u>

MARION COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2005

	Advance Tax Payments	Public Transportation	Anatomical Gift, Public Awareness and Transportation	Total
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 4,856	\$ 25,636	\$ 17	\$ 1,351,194
Other County officials	-	-	-	271,059
Receivables:				
Property tax:				
Delinquent	-	-	-	73,263
Succeeding year	-	-	-	22,373,000
Accounts	-	-	5	63,413
Accrued interest	-	-	-	512
Due from other governments	-	2,791	-	19,204
Total assets	<u>\$ 4,856</u>	<u>\$ 28,427</u>	<u>\$ 22</u>	<u>\$ 24,151,645</u>
LIABILITIES				
Accounts payable	\$ -	\$ 20,688	\$ -	\$ 87,184
Salaries and benefits payable	-	-	-	8,176
Due to other governments	-	-	22	23,773,611
Trusts payable	4,856	7,739	-	261,359
Compensated absences	-	-	-	21,315
Total liabilities	<u>\$ 4,856</u>	<u>\$ 28,427</u>	<u>\$ 22</u>	<u>\$ 24,151,645</u>

See accompanying independent auditor's report.

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MARION COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2005

	County Offices			Board of Supervisors	
	County Auditor	County Recorder	County Sheriff	Congregate Meals	Care Facility
Balances beginning of year, as restated	\$ 3,750	\$ 49,210	\$ -	\$ 137,124	\$ 75,325
Additions:					
Property and other County tax	-	-	-	-	-
State tax credits	-	-	-	-	-
Payments to states in lieu of real estate taxes	-	-	-	-	-
E-911 surcharge	-	-	-	-	-
Office fees and collections	1,670	496,731	211,679	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	251	-	768,269	2,417	38,524
Emergency management - performance grants	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total additions	1,921	496,731	979,948	2,417	38,524
Deductions:					
Agency remittances:					
To other funds	1,639	258,141	208,921	-	-
To other governments	-	235,873	2,758	-	-
Trusts paid out	51	8	768,269	-	36,150
Total deductions	1,690	494,022	979,948	-	36,150
Balances end of year	\$ 3,981	\$ 51,919	\$ -	\$ 139,541	\$ 77,699

<u>Senior Activity</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>	<u>Area Schools</u>	<u>Schools</u>	<u>Corporations</u>	<u>E-911 Surcharge</u>
\$ -	\$ 155,214	\$ 309,512	\$ 512,169	\$ 13,767,581	\$ 7,338,488	\$ 201,192
-	165,523	286,731	582,334	13,588,654	7,330,969	-
-	8,017	14,638	25,721	709,707	269,386	-
-	7	12	21	36,887	444	-
-	-	-	-	-	-	189,448
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,959	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	1,532
-	-	-	-	-	-	10,652
3,959	173,547	301,381	608,076	14,335,248	7,600,799	201,632
-	-	-	-	-	-	-
-	160,486	279,731	527,553	14,240,956	7,414,933	141,044
3,268	-	-	-	-	-	-
3,268	160,486	279,731	527,553	14,240,956	7,414,933	141,044
\$ 691	\$ 168,275	\$ 331,162	\$ 592,692	\$ 13,861,873	\$ 7,524,354	\$ 261,780

MARION COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2005

	Veterans Affairs	Townships	City Special Assessments	Auto License and Use Tax
Balances beginning of year, as restated	\$ 426	\$ 349,653	\$ 18,119	\$ 605,985
Additions:				
Property and other County tax	-	360,964	-	-
State tax credits	-	20,250	-	-
Payments to states in lieu of real estate taxes	-	5,571	-	-
E-911 surcharge	-	-	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	7,050,454
Assessments	-	-	17,612	-
Trusts	-	-	-	-
Emergency management - performance grants	-	-	-	-
Interest	7	-	-	-
Miscellaneous	-	-	-	-
Total additions	7	386,785	17,612	7,050,454
Deductions:				
Agency remittances:				
To other funds	-	-	-	279,039
To other governments	-	373,433	29,242	6,753,289
Trusts paid out	-	-	-	-
Total deductions	-	373,433	29,242	7,032,328
Balances end of year	\$ 433	\$ 363,005	\$ 6,489	\$ 624,111

<u>Brucellosis and Tuberculosis Eradication</u>	<u>Local Empowerment</u>	<u>Title III</u>	<u>Tax Sale Redemption</u>	<u>Fire District</u>	<u>Emergency Management</u>	<u>Jail Canteen</u>
\$ <u>3,069</u>	\$ <u>28,996</u>	\$ <u>18,005</u>	\$ <u>369</u>	\$ <u>2,066</u>	\$ <u>54,091</u>	\$ <u>16,263</u>
3,349	-	-	-	2,101	-	-
171	-	-	-	158	-	-
1	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	257,459	463,264	-	-	7,860
-	-	-	-	-	22,032	-
-	-	-	-	-	-	-
-	328	-	-	-	74,054	-
<u>3,521</u>	<u>328</u>	<u>257,459</u>	<u>463,264</u>	<u>2,259</u>	<u>96,086</u>	<u>7,860</u>
-	-	-	-	-	-	-
3,521	29,324	-	-	2,238	80,798	-
-	-	274,118	463,264	-	-	4,503
<u>3,521</u>	<u>29,324</u>	<u>274,118</u>	<u>463,264</u>	<u>2,238</u>	<u>80,798</u>	<u>4,503</u>
\$ <u><u>3,069</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,346</u></u>	\$ <u><u>369</u></u>	\$ <u><u>2,087</u></u>	\$ <u><u>69,379</u></u>	\$ <u><u>19,620</u></u>

MARION COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2005

	<u>Chore Service</u>	<u>Recorder's Electronic Transaction Fee</u>	<u>Advance Tax Payments</u>	<u>Public Transportation</u>
Balances beginning of year	\$ <u>11,362</u>	\$ <u>4,405</u>	\$ <u>10,601</u>	\$ <u>34,064</u>
Additions:				
Property and other County tax	-	-	-	-
State tax credits	-	-	-	-
Payments to states in lieu of real estate taxes	-	-	-	-
E-911 surcharge	-	-	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	22,874	-	4,856	191,026
Emergency management - performance grants	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	7,927	-	-
Total additions	<u>22,874</u>	<u>7,927</u>	<u>4,856</u>	<u>191,026</u>
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	-	10,894	-	-
Trusts paid out	21,209	-	10,601	196,663
Total deductions	<u>21,209</u>	<u>10,894</u>	<u>10,601</u>	<u>196,663</u>
Balances end of year	\$ <u><u>13,027</u></u>	\$ <u><u>1,438</u></u>	\$ <u><u>4,856</u></u>	\$ <u><u>28,427</u></u>

See accompanying independent auditor's report.

<u>Anatomical Gift Public Awareness and Transportation</u>	<u>Total</u>
\$ <u>116</u>	\$ <u>23,707,155</u>
-	22,320,625
-	1,048,048
-	42,943
-	189,448
-	710,080
-	7,050,454
-	17,612
-	1,760,759
-	22,032
-	1,539
297	93,258
<u>297</u>	<u>33,256,798</u>
8	747,748
383	30,286,456
-	1,778,104
<u>391</u>	<u>32,812,308</u>
\$ <u>22</u>	\$ <u>24,151,645</u>

MARION COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Property and other County tax	\$ 8,611,535	\$ 7,303,657	\$ 6,763,743	\$ 6,633,010
Interest and penalty on property tax	81,839	116,541	107,211	90,942
Intergovernmental	6,139,309	6,546,840	6,400,619	6,261,229
Licenses and permits	14,938	16,233	17,870	24,753
Charges for service	1,439,528	1,446,105	1,366,522	1,357,874
Use of money and property	137,568	93,558	118,457	190,352
Fines, forfeitures and defaults	-	-	-	7,526
Miscellaneous	440,403	497,906	202,915	118,644
Total revenues	<u>\$ 16,865,120</u>	<u>\$ 16,020,840</u>	<u>\$ 14,977,337</u>	<u>\$ 14,684,330</u>
Expenditures:				
Current:				
Public safety ad legal services	\$ 2,033,900	\$ 1,990,856	\$ 2,056,108	\$ 1,799,633
Physical health and social services	2,226,147	2,125,821	2,099,290	2,542,961
Mental health	2,226,239	2,392,307	2,441,388	2,479,037
County environment and education services	958,101	1,059,881	888,512	811,142
Roads and transportation	4,590,995	4,438,694	4,267,427	4,118,209
Government services to residents	502,958	428,293	431,916	384,511
Administrative services	1,712,002	1,952,111	1,525,962	1,537,234
Debt service	159,265	95,254	82,918	86,656
Capital projects	1,809,179	2,817,010	927,039	69,385
Total expenditures	<u>\$ 16,218,786</u>	<u>\$ 17,300,227</u>	<u>\$ 14,720,560</u>	<u>\$ 13,828,768</u>

See accompanying independent auditor's report.

MARION COUNTY
SCHEDULE OF TITLE III ACTIVITY
Year Ended June 30, 2005

Additions:

Special program for the aging - Title III Part C nutrition services	\$	55,000	
Food distribution cash		14,301	
Senior living program		6,555	
Donations and contributions		147,412	
Food distribution commodities		<u>34,191</u>	\$ 257,459

Deductions:

Site manager	65,088	
Cooks	37,975	
FICA, IPERS, and health insurance	21,544	
Food and provisions	92,145	
Supplies	2,452	
Postage	521	
Travel and training	12,797	
Telephone and utilities	11,276	
Trash removal	952	
Rental building	17,400	
Equipment and repair	8,339	
Miscellaneous	<u>3,629</u>	<u>274,118</u>

Net (16,659)

Balance beginning of year 18,005

Balance end of year \$ 1,346

See accompanying independent auditor's report.

MARION COUNTY

SCHEDULE OF PUBLIC TRANSPORTATION ACTIVITY
Year Ended June 30, 2005

	<u>Public Transportation</u>	
Additions:		
Federal Transit Administration - HIRTA	\$ 34,219	
State Transit Administration - HIRTA	33,490	
Title III Part B - Grants for Supportive Services and Senior Centers	24,000	
Elderly waiver	4,698	
Senior living	10,000	
Senior citizen fares	41,651	
Local contributions from County	36,633	
United Way	2,500	
Miscellaneous	<u>3,835</u>	<u>\$ 191,026</u>
Deductions:		
Wages and benefits	134,223	
Fuel	22,351	
Office supplies	400	
Purchased transportation	480	
Employee mileage reimbursement	333	
Telephone	2,571	
Equipment expense	17,035	
Utilities	413	
Administration	5,384	
Insurance	12,811	
Miscellaneous	<u>662</u>	<u>196,663</u>
Net		(5,637)
Balance beginning of year		<u>34,064</u>
Balance end of year		<u>\$ 28,427</u>

See accompanying independent auditor's report.

MARION COUNTY

IOWA DEPARTMENT OF PUBLIC HEALTH
 SCHEDULE OF REVENUES, EXPENDITURES AND BALANCES
 Year Ended June 30, 2005

	Women, Infants and Children 5884A053	Women, Infants and Children 5885A053	Maternal Child Health 5884A053	Maternal Child Health 5885A053	Immunization Action Plan 5885I433	Childhood Lead Poisoning Prevention 5885L01
Revenues:						
Federal	\$ 74,119	\$ 238,855	\$ 24,303	\$ 56,694	\$ 2,529	\$ 223
State	-	-	6,574	16,179	1,303	-
Other	-	-	2,210	9,955	-	-
Total	74,119	238,855	33,087	82,828	3,832	223
Expenditures:						
Salaries and benefits	33,055	129,283	11,027	37,868	2,920	-
Contracted providers	11,197	22,486	19,808	40,083	-	-
Miscellaneous	29,867	87,086	2,252	4,877	912	223
Total	74,119	238,855	33,087	82,828	3,832	223
Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

MARION COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2005

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561	FY 05	\$ <u>10,050</u>
Iowa Department of Health:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5884A053	74,119
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5885A053	<u>238,855</u>
			<u>312,974</u>
Iowa Department of Agriculture:			
WIC Farmers' Market Nutrition Program	10.572	1191-99-53	<u>2,127</u>
Aging Resources of Central Iowa:			
Food Donation	10.550	FY 05	<u>48,492</u>
Department of Transportation:			
Heart of Iowa Regional Transit Agency:			
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	FY 05	<u>34,219</u>
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS63(67)	67,511
Highway Planning and Construction	20.205	BROS63(66)	148,322
Highway Planning and Construction	20.205	BROS63(76)(77)	<u>27,569</u>
			<u>243,402</u>
Department of Public Safety:			
Iowa Department of Public Safety:			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	05-157, Task 85	3,500
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	05-163, Task 46	<u>3,922</u>
			<u>7,422</u>

MARION COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2005

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Indirect (continued):			
Department of Health and Human Services:			
Iowa Department of Human Services:			
Social Services Block Grant	93.667	FY 05	\$ <u>114,045</u>
Administration on Aging:			
Aging Resources of Central Iowa:			
Special Programs for the Aging -			
Title III Part B - Grants for Supportive Services and Senior Centers	93.044	FY 05	<u>38,000</u>
Title III Part C - Nutrition Services	93.045	FY 05	<u>55,000</u>
Title III Part D - In-home Services for Frail Older Individuals	93.046	FY 05	<u>12,000</u>
Human Services Administrative Reimbursements:			
Medical Assistance Program	93.778	FY 05	14,440
Social Services Block Grant	93.667	FY 05	8,908
Temporary Assistance for Needy Families	93.558	FY 05	13,416
Foster Care - Title IV - E	93.658	FY 05	7,001
Refugee and Entrant Assistance State			
Administered Program	93.566	FY 05	18
Adoption Assistance	93.659	FY 05	1,636
Child Care Mandatory and Matching Funds of the			
Child Care and Development Fund	93.596	FY 05	<u>2,606</u>
			<u>48,025</u>
Iowa Department of Health:			
Centers for Disease Control and Prevention -			
Investigations and Technical Assistance	93.283	5885NB18	<u>10,119</u>
Maternal Child Health Services Block Grant			
to the States	93.994	5884A053	24,303
Maternal Child Health Services Block Grant			
to the States	93.994	5885A053	<u>56,694</u>
			<u>80,997</u>
Childhood Lead Poisoning Prevention Program			
	93.197	5885L01	<u>223</u>
Immunization Grants			
	93.268	5885I433	<u>2,529</u>

MARION COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2005

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Program Expenditures</u>
Indirect (continued):			
Department of Homeland Security:			
Iowa Department of Public Defense:			
Emergency Management Performance Grants	97.042	FY 05	\$ <u>22,032</u>
State Domestic Preparedness Equipment Support Program	97.004	FY 03	<u>5,904</u>
Total			\$ <u><u>1,047,560</u></u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Marion County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Marion County:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated February 3, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marion County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Marion County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marion County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Marion County and other parties to whom Marion County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Marion County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
February 3, 2006

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Officials of Marion County:

Compliance

We have audited the compliance of Marion County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Marion County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Marion County's management. Our responsibility is to express an opinion on Marion County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marion County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Marion County's compliance with those requirements.

In our opinion, Marion County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Marion County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants agreements applicable to federal programs. In planning and performing our audit, we considered Marion County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Marion County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no material weaknesses during the course of our audit.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Marion County and other parties to whom Marion County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
February 3, 2006

MARION COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 10.557 Special Supplemental Nutrition Program for Women, Infants and Children
 - CFDA Number 20.205 Highway Planning and Construction
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Marion County did not qualify as a low-risk auditee.

MARION COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-05 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	County Care Facility, Recorder, Treasurer
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Ag Extension, County Care Facility, Recorder, Sheriff, Treasurer
(3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	County Care Facility, Recorder, Sheriff

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

MARION COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

Part II: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

II-A-05 Segregation of Duties (continued)

Responses –

Ag Extension – We will review procedures and try to make any necessary changes to improve internal control.

County Care Facility – We will review procedures and try to make any necessary changes to improve internal control.

County Recorder – We will review procedures and try to make any necessary changes to improve internal control.

County Sheriff - We will review procedures and try to make any necessary changes to improve internal control.

County Treasurer – We have improved procedures during the year and will try to make any necessary changes to improve internal control in the future.

Conclusion – Responses accepted.

II-B-05 Disbursement Approval – We noted that the County Board of Supervisors does not approve disbursements made by the conservation department. These disbursements are approved by the Marion County Conservation Board.

Recommendation – An Attorney General opinion dated April 13, 1982, says that the County does not have the right to refuse to sign a Conservation Board warrant as long as the disbursement is within the Conservation Board's budget limits and is for a legitimate purpose. However, we feel the County Board of Supervisors should review and approve all Conservation Board disbursements as an additional control to ensure that the above two requirements are satisfied.

Response – We will look into this situation and make a decision in the future.

Conclusion – Response accepted.

MARION COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No matters were reported.

MARION COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-05 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- IV-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amount budgeted in the Debt Service function.
- Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.
- Response – We will amend the budget when required in the future.
- Conclusion – Response accepted.
- IV-C-05 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-D-05 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-E-05 Business Transactions – No business transactions between the County and County officials or employees were noted.
- IV-F-05 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- IV-G-05 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-H-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-I-05 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

MARION COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

Part IV: Other Findings Related to Required Statutory Reporting (continued):

- IV-J-05 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2005 for the County Extension Office did not exceed the amount budgeted.

The Board Treasurer's bond covered the amount required by Chapter 176A.14(5) of the Code of Iowa.

We noted that a former employee of the County Extension Office is still listed as an authorized check signer. We also noted that the ending balance exceeded the maximum allowable carryover as outlined in Chapter 176A.8(16) of the Code of Iowa.

Recommendation – The Extension Office should immediately update all authorized signers on the bank accounts. Authorized signers should be updated immediately upon any applicable change of personnel. The Extension Office should repay the excess balance to the County General Fund.

Response – We will update the authorized check signers on our accounts and will keep all records current in the future. We have already repaid the excess balance to the County General Fund.

Conclusion – Response accepted.

- IV-K-05 Financial Condition – The Internal Service Funds, Self-funded Employee Health and Self-funded Employee Dental, had deficit net assets of \$76,365 and \$3,847, respectively, at June 30, 2005. In addition, the Special Revenue Fund, Emergency Medical Service, had a deficit fund balance of \$6,373 at June 30, 2005.

Recommendation – The County should contact the Iowa Insurance Commission and develop a recovery plan to restore the self-funded insurance funds to a sound financial condition. The County should investigate alternatives to restore the Emergency Medical Service Fund to a sound financial condition.

Response – We have contacted the Insurance Commission. As of October 1, 2005, we ended the self-funded health insurance plan and are now fully insured. We transferred an additional \$100,000 into the fund to cover any additional claims. For the dental plan, we will supplement the fund as necessary and we have increased premiums. We will look at alternatives to restore the Emergency Medical Service Fund to a healthy condition.

Conclusion – Response accepted.

MARION COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

Part IV: Other Findings Related to Required Statutory Reporting (continued):

- IV-L-05 Internal Service, Self-funded Employee Dental Fund – We noted in our testing of transactions of the Internal Service Fund, Self-funded Employee Dental that the County had not recorded any interest revenue in the Fund as required by Chapter 331.301(12) of the Code of Iowa.

Recommendation – The County should allocate interest revenue to the Self-funded Employee Dental Fund in the future as required.

Response – This was an oversight for this year. We will properly allocate interest revenue to the Internal Service Funds in the future as required. We will look into using an interest bearing account which charges minimal or no service fees.

Conclusion – Response accepted.

- IV-M-05 Code of Ordinances – The County has not compiled the Code of County Ordinances within five years of the pervious compilation. The compilation must be made at least once very five years to be in compliance with Chapter 331.302(9) of the Code of Iowa.

Recommendation – We recommend that the County compile a Code of County Ordinances.

Response – We currently are in process of compiling the Code of County Ordinances.

Conclusion – Response accepted.

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